

AMENDED IN SENATE APRIL 10, 2007

SENATE BILL

No. 428

Introduced by Senator Dutton

(Coauthor: Assembly Member Emmerson)

February 21, 2007

An act to amend Section 743.1 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 428, as amended, Dutton. Electrical corporations: ~~rates.~~ *demand reduction.*

(1) The Public Utilities Act *requires the Public Utilities Commission to develop a program for residential and commercial customer air-conditioning load control with the goal of contributing to the adequacy of electricity supply and helping customers reduce their electric bills in a cost-effective manner. The act* authorizes the Public Utilities Commission to establish rates for public utilities regulated by the commission, including electrical corporations. The act authorizes the commission to approve contracts between an electrical corporation and its heavy industrial customers as determined by the electrical corporation, of not more than 10 years' duration, in which the electrical corporation buys from the heavy industrial customer the right to interrupt the customer's service on short notice, as determined by the commission, through a payment mechanism providing for a discounted rate for service. Under those provisions, the commission has adopted, by decision, electrical corporation programs for the interruption of power in exchange for reduced rates.

The act requires electrical corporations to continue the availability to qualified heavy industrial customers of optional interruptible or

curtailable service, and requires the effective rate for interruptible or curtailable service to qualifying customers to reflect a pricing incentive for electing to operate under the interruptible or curtailable service option. The act further requires the commission to continue the availability of optional interruptible or curtailable service at least until March 31, 2002, and prohibits, until March 31, 2002, the alteration of the level of the pricing incentive for interruptible or curtailable service from the levels in effect on June 10, 1996.

~~This bill would require the commission to continue the availability of optional interruptible or curtailable service at least until December 31, 2010, and would prohibit, until after that date, the reduction of the level of the pricing incentive for interruptible or curtailable service below the levels in effect on December 31, 2004.~~ *electrical corporations to expand optional interruptible or curtailable service programs and air-conditioning cycling programs to their customers through pricing incentives that reflect the full range of costs avoided by the reductions in demand created by these programs. The bill would also delete the provisions requiring the commission to continue the availability of optional interruptible or curtailable service at least until March 31, 2002, and the provision prohibiting the alteration of the level of pricing incentive in effect on June 10, 1996.* Because a violation of ~~an order or decision of the commission~~ *the act* is a crime, this bill, by ~~requiring the commission to impose~~ *imposing* new requirements on electrical corporations, would create a new crime, thereby imposing a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. Section 743.1 of the Public Utilities Code is~~
- 2 ~~amended to read:~~
- 3 ~~743.1. (a) Electrical corporations shall continue the availability~~
- 4 ~~to qualified heavy industrial customers of optional interruptible~~
- 5 ~~or curtailable service. The effective rate for interruptible or~~

1 ~~curtailable service to qualifying customers shall reflect a pricing~~
2 ~~incentive for electing to operate under the interruptible or~~
3 ~~curtailable service option.~~

4 ~~(b) The commission shall direct each public utility electrical~~
5 ~~corporation to continue its efforts to reduce the rates charged heavy~~
6 ~~industrial customers to a level competitive with other states, and~~
7 ~~to do so without shifting recovery of costs to other customer~~
8 ~~classes. The commission shall continue the availability of optional~~
9 ~~interruptible or curtailable service at least until December 31, 2010.~~
10 ~~The level of the pricing incentive for interruptible or curtailable~~
11 ~~service shall not be reduced below the levels in effect on December~~
12 ~~31, 2004, until after December 31, 2010.~~

13 *SECTION 1. The Legislature finds and declares all of the*
14 *following:*

15 *(a) Successful implementation of the California Global Warming*
16 *Solutions Act of 2006 (Division 25.5 (commencing with Section*
17 *38500) of the Health and Safety Code) will require substantial*
18 *reductions in the emissions of greenhouse gases associated with*
19 *the generation of electricity.*

20 *(b) Demand for electricity continues to grow due to a number*
21 *of factors, including increased use of air-conditioning for*
22 *residential and commercial applications.*

23 *(c) The growth in electricity demand results in the continued*
24 *operation of older, less efficient, and significantly more polluting*
25 *generating facilities, and thereby threatens to undermine the state's*
26 *efforts to obtain reductions in greenhouse gas emissions associated*
27 *with the generation of electricity.*

28 *(d) The state experiences very large increases in electricity*
29 *demand during relatively few hours each year, requiring the*
30 *continued operation of older, more polluting generation facilities*
31 *and potentially the addition of new gas-fired peaking plants to*
32 *meet this peak demand.*

33 *(e) The expansion and increased use of demand response*
34 *programs, particularly programs like interruptible or curtailable*
35 *service and air-conditioning cycling programs, would allow the*
36 *state to meet peak demand while avoiding the operation of some*
37 *or all of the older, more polluting generation facilities.*

38 *(f) Electrical corporations subject to the jurisdiction of the*
39 *Public Utilities Commission should be encouraged by the*
40 *commission to expand participation in these demand response*

1 *programs through incentives for participation that adequately*
2 *reflect all the benefits associated with demand reduction, including*
3 *reduced emissions of greenhouse gases and other environmental*
4 *benefits.*

5 *SEC. 2. Section 743.1 of the Public Utilities Code is amended*
6 *to read:*

7 743.1. (a) Electrical corporations shall continue *and expand*
8 ~~the availability to qualified heavy industrial customers of optional~~
9 ~~interruptible or curtailable service programs and air-conditioning~~
10 ~~cycling programs to their customers through pricing incentives~~
11 ~~for participation in these programs. These pricing incentives shall~~
12 ~~reflect the full range of costs avoided by the reductions in demand~~
13 ~~created by these programs, including the reduction in emissions~~
14 ~~of greenhouse gases and other pollutant emissions from generating~~
15 ~~facilities that would have been required to operate but for these~~
16 ~~demand reductions. The programs shall be designed to attract~~
17 ~~additional customer participation. The effective rate for~~
18 ~~interruptible or curtailable service to qualifying customers shall~~
19 ~~reflect a pricing incentive for electing to operate under the~~
20 ~~interruptible or curtailable service option.~~

21 (b) The commission shall direct each public utility electrical
22 corporation to continue its efforts to reduce the rates charged heavy
23 industrial customers to a level competitive with other states, and
24 to do so without shifting recovery of costs to other customer
25 classes. ~~The commission shall continue the availability of optional~~
26 ~~interruptible or curtailable service at least until March 31, 2002.~~
27 ~~In no event shall the level of the pricing incentive for interruptible~~
28 ~~or curtailable service be altered from the levels in effect on June~~
29 ~~10, 1996, until March 31, 2002.~~

30 ~~SEC. 2.~~

31 *SEC. 3. No reimbursement is required by this act pursuant to*
32 *Section 6 of Article XIII B of the California Constitution because*
33 *the only costs that may be incurred by a local agency or school*
34 *district will be incurred because this act creates a new crime or*
35 *infraction, eliminates a crime or infraction, or changes the penalty*
36 *for a crime or infraction, within the meaning of Section 17556 of*
37 *the Government Code, or changes the definition of a crime within*

1 the meaning of Section 6 of Article XIII B of the California
2 Constitution.

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